

City of Detroit

OFFICE OF THE AUDITOR GENERAL



Audit of the City of Detroit Board of Review



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LOREN E. MONROE, CPA
AUDITOR GENERAL

MEMORANDUM

DATE: June 27, 2008

TO: Honorable City Council

FROM: Loren E. Monroe, CPA *Loren E Monroe*
Auditor General

RE: Audit of the City of Detroit Board of Review

CC: Mayor Kwame M. Kilpatrick
Willie Donwell, Chairman, City of Detroit Board of Review
Linda Bade, Chief Assessor, Finance Department – Assessment
Division

Attached for your review is our report on the audit of the City of Detroit's Board of Review. This report contains our audit purpose, scope, objectives, methodology and conclusions; background; our audit finding and recommendations; and additional concerns.

We would like to thank the Board of Review members and the Assessors staff for their cooperation and assistance during this audit.

Copies of all of the Office of the Auditor General's reports can be found on our website at http://www.ci.detroit.mi.us/legislative/CharterAppointments/AuditorGeneral/audit_main_frame.htm

Audit of the City of Detroit's Board of Review

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AUDIT PURPOSE, SCOPE, OBJECTIVES, METHODOLOGY AND CONCLUSIONS

AUDIT PURPOSE

The audit of the City of Detroit Board of Review was performed at the request of the City Council to conduct an audit of the Board of Review to determine if the Board of Review was in compliance with applicable statutes and ordinances, and to make recommendations for the improvement of the operations of the Board of Review.

AUDIT SCOPE

The scope of the audit was to include observation of the Board of Review Hardship Committee meetings and testing of the Hardship Exemption files. The Office of the Auditor General (OAG) had to limit the scope of the audit because the City of Detroit Law Department and the City Council Research and Analysis Division opined that the Poverty Hardship Committee could hold closed meetings for the purpose of reviewing hardship applications, and that the OAG could not be present at the closed sessions. Therefore, the OAG could not conduct a complete operational audit of the Board of Review hardship exemption process.

Our audit was conducted in accordance with Government Auditing Standards issued by the Comptroller General of the United States, except for the completion of an external peer review of the OAG within the last three years.

AUDIT OBJECTIVES

The overall audit objectives were:

- To observe and document the Board of Review hardship exemption process;
- To assess if the Board of Review members apply appropriate established guidelines for approving property tax exemptions;
- To determine if new rules and guidelines should be established in order to streamline the property tax hardship exemption process and to recommend best practices; and
- To review the personal service contracts of the Board of Review members and ensure the contracts are being followed, and recommend necessary changes to the contracts.

AUDIT METHODOLOGY

To accomplish our audit objectives, our audit work included:

- Observation of the Board of Review Hardship Exemption review process, prior to the scope limitation being enforced.
- Interviews with Finance Department-Assessors Division personnel and members of the Board of Review.

- Gathering best practices data from other municipalities and states related to property assessment appeals processes and hardship exemptions.
- Documentation of the Board of Review process, prior to the scope limitation being enforced.
- Development of recommendations for policies and procedures related to the Board of Review Hardship exemption process.
- Other audit procedures that we considered necessary to achieve our audit objectives.

CONCLUSIONS

Through our audit the following conclusions were reached:

1. The Board of Review Hardship Poverty Committee process was not observed and documented during the March 2008 Board of Review because of a scope limitation.

Although the OAG was able to observe a portion of the Board of Review Hardship Poverty Committee process in December 2007, some of the Board members from that time were not involved in the 2008 Board of Review. The OAG was not allowed to observe the hardship exemption process of the new Board, which met in 2008 because the Law Department and the City Council Research and Analysis Division (RAD) opined that the OAG could not attend closed meetings of the hardship committees. Therefore, we were unable to conclude if any of the recommendations made by the OAG in prior memorandums have been enacted, and have been unable to develop any additional recommendations.

2. The Board of Review does not consistently follow the Hardship Poverty application guidelines 56% of the time.

The OAG tested 10% or 231 applications reviewed by the March Board of Review. Because of the high volume of applications, the Board of Review was not able to complete their review of all of the applications. A total of 885 applications, which were denied, will be revisited before the July Board of Review, and will receive a final decision then. The OAG did not include these applications in its sample.

Through testing, the OAG was able to conclude that the Board of Review is not consistent in its application of the appropriate guidelines. Of the applications reviewed, 56% had at least one exception. Twenty-nine percent of the applications were missing information, including 14% that did not have sufficient income information to conclude if the applicant's income fell below the poverty threshold. Nine applications were granted exemptions by receiving deviations. This means although the applicant did not meet the guidelines, substantial and compelling reasons existed which allowed the Board of Review to grant the exemption. Refer to Finding 1 on page 6 of this report for more detailed information.

3. New rules and guidelines need to be established in order to streamline the exemption review process. In addition, qualified, trained contractual staff should be hired to conduct a preliminary review of the applications.

In November 2007, the OAG made recommendations for changes in policies and procedures for the Board of Review (Attachment I). The OAG recommended that the requirements for Board of Review members be more stringent, and that City Council hold hearings, as they do for many other appointments, for Board of Review nominees. The OAG recommended that standard operating rules and procedures be established. Currently, the Board of Review is operating using Robert's Rules of Order. More specific procedures that assist the Board of Review in conducting its work should be established.

The OAG also recommended changes be made to the application. The current application includes small spaces and is difficult to follow. The OAG recommended that areas be provided to include information on people other than the applicant with an ownership interest in the property, an area to provide information on life insurance policies and reverse mortgages, and an area to include substantial and compelling reasons the exemption should be granted. We also recommended that a more stringent warning for providing false information be included. Testing applications from the March Board of Review has reinforced the need for changes to the application. Many exceptions found appear to be an issue of the application spaces being small and hard to follow for both the applicant and the Board of Review members. The application should be changed well in advance of the beginning of the 2009 Hardship Exemption process.

Because the OAG has been excluded from the closed meetings of the Board of Review where the hardship exemption applications are reviewed, the OAG has been unable to conclude if new rules and guidelines need to be established beyond the recommended policies and procedures and best practices the OAG issued in November 2007.

4. The personal service contracts are being followed.

The OAG recommended changes to the personal service contract in a prior memo dated November 2007, including the addition of a right to audit clause and specification that training days are allowable. These changes have not been incorporated into the personal service contracts. We note that the per diem rate for Board of Review members has remained the same since at least 1994. Given the increased number of hardship applications reviewed and the necessity of Board of Review members working longer days as well as some weekends, City Council may want to consider increasing the per diem rate.

BACKGROUND

The Detroit City Council requested a comprehensive financial and operational audit of the Board of Review in response to a series of newspaper articles printed in October, 2007 detailing possible wrong doing by Board of Review members. The articles stated that applicants who did not meet the standards, and should not qualify for hardship exemptions, were given exemptions.

The Board of Review is a body created under MCL 211.7, the General Property Tax Act, to hear the appeals of property owners related to property taxes. The Board of Review can adjust property owners' tax requirements and are charged with certifying the assessment roll. The Board of Review is required to meet during three periods of the year, March, July and December. The Board of Review also can grant full or partial property tax hardship exemptions. The exemptions are meant for homeowners whose households earn less than the poverty levels established by the Detroit City Council and who have assets below the asset threshold, currently set at \$5,000, excluding the value of the primary residence. The Board of Review can deviate from the guidelines if there are substantial and compelling reasons to do so. If the Board of Review deviates from the guidelines, the members must include a written statement of the substantial and compelling reasons for the deviation.

The state law allows the City Council to act as the Board of Review or to appoint citizens to act as the Board of Review. The Detroit City Council previously acted as the Board of Review but has appointed a board since the early 1980's. The Board of Review is made up of nine members that serve one-year terms. There is no limit to the number of terms each member may serve. Members may be removed by a majority vote of City Council.

The Office of the Auditor General (OAG) was able to observe the process of the Board of Review during a portion of the meetings held in December 2007. The OAG found that the Board of Review:

- Conducted its work in three sub-committees;
- Sub-committees did not all follow the same process for reviewing the hardship exemption applications; and
- Sub-committees were not given sufficient equipment or accommodations to complete the task adequately.

The OAG contacted other Michigan municipalities, including Flint, Pontiac and Grand Rapids, to inquire as to each of their processes for reviewing hardship applications. Every other city contacted by the OAG had staff that reviewed the hardship exemption applications for completeness and did some form of preliminary review before the Board of Review evaluated the applications. This allowed the other Boards of Review to move through the applications more quickly and ensured that all applications included complete information before being evaluated by the Board of Review. It should also be noted that no other municipality has the number of hardship applications the Detroit Board of Review must review. The Detroit Board

of Review had to review more than two thousand applications during the March 2008 Board of Review session. Most Boards of Review have between twenty and one hundred hardship exemption applications to review annually.

Based on observations of the December Board of Review meetings and interviews with Board of Review members and Finance Department-Assessors Division staff, the OAG was able to make recommendations for policies and procedures that should be established for the Board of Review (Attachment I). The OAG recommendations include the hiring of contractual staff to conduct a preliminary review of the applications. This would include ensuring that all applications are complete, contacting the applicants to obtain missing information, and a preliminary calculation of income and assets. The OAG also recommended additional training for Board of Review members and changes to the ordinance governing the Board of Review. Many of the OAG recommendations were incorporated into the recommendations submitted to the City Council by the City Council Research and Analysis Division. Revisions to the City Ordinance were approved by City Council in May 2008.

The make-up of the Board of Review has changed as a result of members of the City Council nominating new members. The Board of Review, under the leadership of a new chairperson, is working to establish policies and procedures. However, for the just completed March Board of Review, none of the additional policies and procedures were in place, and no additional contractual staff was hired to facilitate the work of the Board of Review and to allow for more consistency in the review of the applications. One of the outcomes of no additional staff being hired has been that the Board of Review has had difficulty in completing the review of all of the hardship applications during the time period allowed by the State Tax Commission for such review in March. Consequently, the Board of Review was unable to complete the review of 855 applications and will meet to review those applications prior to the July Board of Review, and will render the decisions as part of the July Board of Review.

AUDIT FINDING AND RECOMMENDATIONS

1. The Board of Review Does Not Consistently Follow the Guidelines When Granting Property Tax Hardship Exemptions

The Office of the Auditor General (OAG) reviewed 231 hardship applications from the March Board of Review. The March Board of Review received 3,218 applications, 885 of which were denied because of a lack of information and/or insufficient time to review. These applications will be reconsidered prior to the July Board of Review. A total of 2,333 applications were reviewed and acted upon by the Board of Review. Our sample size was 10% of the reviewed applications, including 171 full exemptions, 26 partial exemptions, 25 denied applications and all 9 applications that were granted under the deviation process. A total of 56% of the granted hardship applications reviewed contained exceptions.

The table below shows the most egregious and prevalent exceptions that were found during the testing of the granted hardship applications.

	Number of Occurrences	% of Sample
Lacked information on length of home ownership, income or property tax credits or rebates	59	28.6%
Did not meet 3-year test for home ownership	27	13.1%
Household assets exceeded \$5,000	4	1.9%
Application not signed and/or notarized	17	8.3%
Insufficient information provided to determine or verify total household income	29	14.1%
Income levels exceeded the allowable level	14	6.8%

The primary criteria for a hardship exemption are:

1. Applicants must own the residence for which the exemption is being sought for three years.
2. Total household income must fall below the levels established by the City Council.
3. The application must be signed by all homeowners of record.
4. The application must be notarized.

5. The application must contain sufficient information to determine and verify the total household income.
6. The applicant(s) cannot have total household assets of more than \$5,000 (excluding the home).

The Board of Review should not grant any hardship relief to applications that contain exceptions unless the Board of Review treats the application as a deviation. The Board of Review can grant a hardship exemption to any applicant that the Board of Review feels deserves the exemption by following the guidelines for deviations, which include making note of the substantial and compelling reasons for deviating from the guidelines.

By granting hardship exemptions to applicants that do not meet the guidelines the Board of Review is not fairly applying the guidelines to all citizens that apply. For example, one application may be denied because of the applicant's possession of assets in excess of \$5,000 while another applicant may receive the exemption.

The Board of Review is not equipped with the proper tools or training to successfully review the applications in a timely manner.

Recommendations

We recommend the Detroit City Council, the Finance Department-Assessments Division and the Board of Review improve the hardship exemption process by:

- Hiring contractual staff to conduct a preliminary review of the applications. The contractual staff would be given the responsibility of reviewing the applications for completeness prior to the Board of Review Poverty Hardship Committees acting on the applications. This contractual staff would be able to contact the applicants, if the applications were incomplete, in order to obtain further information before the final review of the applications. The contractual staff should be persons experienced in application review, perhaps from the mortgage or banking industry, who could review the applications for completeness using a checklist of requirements.
- If additional staff is not hired, a checklist should be developed that guides each committee through the review of the applications and allows for a more uniform application of the guidelines.
- Board of Review members completing annual training in the standards and guidelines for the review of applications.

ISSUES OF CONCERN

The Office of the Auditor General (OAG) has concerns related to the Board of Review hardship exemption process: the closed meetings of the Poverty Hardship Committees, the lack of adequate support for the committees, and the procedure for handling hardship applications not reviewed during the March Board of Review.

Closed Meetings of the Poverty Hardship Committees

In December 2007, the Law Department opined that the staff of the OAG, City Council Research and Analysis, and the Law Department may not attend the closed sessions of the Poverty Hardship Committees. The OAG does not object to being excluded from closed meetings of the Poverty Hardship Committees or the full Board of Review. We do seriously question whether the Poverty Hardship Committees may conduct most of their proceedings in closed meetings. In a memorandum to this Honorable Body on January 8, 2008, the OAG stated that the Open Meetings Act does not allow closed meetings for the purpose of deliberating toward or rendering a decision on a public policy. Based on our observation of the December 2007 Board of Review and in subsequent conversations we have had with Assessor's Office staff, it is clear that the Board of Review Hardship Poverty Committees not only deliberate toward, but render decisions during closed sessions.

The Law Department cited Section 8(h) of the Michigan Open Meetings Act, being MCL 15.268(h), which permits closed meetings "[t]o consider material exempt from discussion or disclosure by state or federal statute." MCL 15.263(2) provides that "[a]ll decisions of a public body shall be made at a meeting open to the public." The Poverty Hardship Committees make decisions during the closed meetings; therefore, we believe that these meetings should be open meetings. We concur that in those unusual and infrequent instances where personal information is actually discussed among the committee members, the discussions, but not the decision, may take place in closed meetings.

MCL 15.267(2) requires that a separate set of minutes be made for the closed sessions and retained for one year and one day after approval of the minutes at the regular meeting at which the closed session was approved. There are three Poverty Hardship Committees. All three committees met for approximately forty days during the March Board of Review. This would require 120 separate minutes in addition to the minutes of the open meetings that authorized the closed meetings. At this time, there are no minutes of the closed meetings as required by the Open Meetings Act.

The OAG surveyed other Michigan municipalities regarding their process for reviewing hardship applications. None of the municipalities considered hardship applications in closed meetings.

Lack of Adequate Support for the Poverty Hardship Committees

The OAG, City Council Research and Analysis Division, the members of the Board of Review, and the Finance Department-Assessment Division all agreed that more

staff was necessary to support the Poverty Hardship Committees. The OAG recommended that persons experienced in financial application review, from the banking or mortgage industry or persons experienced in reviewing governmental assistance applications, be hired as contractual staff to perform preliminary reviews of the hardship applications to ensure that all applications were complete prior to review by the committees. The contractual staff would contact the applicants if more information was required and do preliminary calculations of income and assets. They would also assist the committees with clerical activities. The staff would begin their preliminary review of applications received prior to the State mandated commencement of formal Board of Review and Poverty Hardship Committee meetings. This additional staff would result in fewer exceptions related to calculation errors and inconsistencies in the review of the applications.

The OAG surveyed other Michigan municipalities regarding their process for reviewing hardship applications. All of the municipalities contacted had staff that reviewed the hardship applications for completeness and did some form of preliminary review before the Board of Review evaluated the applications.

Procedure for Handling Hardship Applications Not Reviewed During the March Board of Review

The Board of Review and the Poverty Hardship Committees were unable to complete their review of all 3,218 applications received during the March Board of Review. Consequently 885 applications were denied but will be reviewed by the Poverty Hardship Committees prior to the July Board of Review. During the review process, applications will be sorted into four categories: continue denial, partial exemption, full exemption, and exemption with deviations from guidelines. These decisions will be read into the record at the July meeting of the Board of Review.

According to information provided by the Assessor's Division, this procedure was developed to handle a unique and unforeseen situation created by the extraordinary number of applications received. We are not criticizing the Assessor's Division for developing a procedure to cover this unprecedented situation. Rather, we commend them for their efforts. We have, however, asked the Law Department to opine on whether the process is in compliance with State statutes, will permit other applicants who were denied after review to reapply, and whether the closed meetings to sort applications into four categories violates the Open Meetings Act. To date we have not received their opinion.

Changes to the Property Tax Hardship Exemption Application Form

The hardship application should be modified to be more citizen friendly and more easily reviewed by the Board of Review members. Below are items we recommend incorporating into the City of Detroit Hardship application:

- More space for answers;
- An area to provide information on life insurance, other insurance policies, and reverse mortgages;
- An area where applicants can provide any substantial and compelling reasons they should be granted an exemption; and
- The application should more clearly state the penalties for providing false or incomplete information.



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ATTACHMENT I

LOREN E. MONROE, CPA
AUDITOR GENERAL

DATE: January 8, 2008

TO: Honorable City Council

FROM: Loren E. Monroe, CPA *Loren E Monroe*
Auditor General

**RE: PROPOSED "DETROIT BOARD OF REVIEW POLICIES,
OPERATING PROCEDURES AND RULES OF CONDUCT"**

On January 4, 2007, the Research and Analysis Division (RAD) of the City Council submitted a draft of their recommendations for the Policies, Operating Procedures and Rules of Conduct for the Detroit Board of Review (Attachment A). Many of the recommendations made by the Office of the Auditor General (OAG) were incorporated into that draft. There are, however, some areas that do not fully reflect the recommendations and suggestions of our office. Rather than restate all of our recommendations, including those that have been incorporated into the RAD draft, we are listing only those areas that either were not included or that differ from the RAD recommendations.

Meetings of the Board of Review Committees to Consider Poverty Exemptions

RAD's draft does not specifically state that meetings of the three committees of the Board of Review that consider poverty exemptions will be closed meetings although this is inferred in footnote 1 on page 1. We recommend that all meetings of the Board and the committees be open meetings unless there is a specific situation that warrants a closed meeting. Our recommendation is based upon the following considerations as well as the stated intention of your Honorable Body to have an open and transparent process.

- MCL 15.262(b) (Open Meetings Act) defines a meeting as the convening of a public body for the purpose of **deliberating toward or rendering a decision on a public policy** (emphasis added). Observation of the Board committee meetings demonstrated that deliberations do take place during the meetings and that a consensus of the committee members must be reached and documented regarding the decision to recommend approval, partial approval or denial of the applications considered at the meetings.
- Although MCL 15.268(h) does permit a closed session to consider material exempt from discussion or disclosure by state or federal statute, no statutes have been cited to support what specific information is exempt.

- A survey conducted by our office of five Michigan cities, including Flint, Grand Rapids and Saginaw, revealed that all of them considered hardship exemptions in open meetings. In addition, we learned that in each of these cities the Assessor's Office conducts a preliminary assessment of the applications for completeness.
- There are no specific provisions in the draft which will ensure compliance with all requirements of MCL 15.267 which include the taking of a roll call vote to call a closed session, entering the purpose of the closed session and the taking of a separate set of minutes by the designated secretary of the body.
- Adequate means are available to protect sensitive information without resorting to closed meetings. Individual applications would not be available to the public.
- Based on an opinion issued by the Law Department on December 4, 2007, the Office of the Auditor General is not permitted to attend and observe closed meetings of the Board of Review or its committees. This would limit the ability of the OAG to perform audits of the Board and its committees as specifically requested by your Honorable Body.

Internal Operating Procedures of the Board of Review

RAD has recommended that the Board of Review establish internal procedures relative to the preparation of files by support staff, recording methods, quality control, and reports and forms necessary to carry out the Board's responsibilities. (Page 1, II. A. 5.) We would recommend that RAD, with the assistance of the Assessments Division (Assessments Division) of the Finance Department, prepare the internal procedures for the Board. RAD and the Assessments Division have the expertise to prepare such administrative documents that will conform to City Council's intent in an expeditious manner.

2008 "Process for Reviewing Poverty Exemptions Application"

We were not provided with a copy of this document that is referenced on Page 2 of the RAD report as being attached. Consequently, we cannot comment on it.

The Board Shall Verify Information Provided on Poverty Exemption Applications (Page 2, II. B. 5.)

We recommend that the Board be authorized to verify information as needed, but that it not be required to verify the information provided except when verification is needed to render an informed decision. Given the number of applications received it would be impossible for the Board to verify all of the information provided in the applications.

Annual Revision of the "Process for Reviewing Poverty Exemptions Applications" (Page 2, II. B. 7.)

RAD has recommended that the Board prepare revisions to this document annually in December. As previously expressed, we believe that the staff of RAD and the Assessments Division should draft such detailed procedures with input from the Board of

Review. Based on observation of the December 2007 Board of Review meetings, it does not appear that the Board would have sufficient time to review and revise the procedures particularly in time for submission to your Honorable Body for approval prior to the December recess.

Audits by the Office of the Auditor General (Page 3 II. C. 3.)

Any audits performed by the Office of the Auditor General will, of necessity, be limited if access to the closed meetings, at which the decisions regarding poverty exemptions are made, is prohibited.

Disclosure of Conflicts of Interest (Page 4, III. A. 10.)

We concur that Board members be required to disclose any conflicts of interest but recommend that Board members be required to complete a Conflict of Interest form at least annually and that any additional conflict disclosure that becomes necessary during their term of office be reported directly to the Council President's office or such other place as your Honorable Body may direct.

Board of Review Member Conduct and Orientation (Page 5, III. C.)

The OAG recommends a voluntary, half-day information and training session for prospective Board of Review members. This would take place between the nomination of the person to the Board of Review and his or her hearing before City Council. The session would allow Board of Review nominees to learn about the work of the Board, the rules governing the Board and the time commitment required.

Needs Assessment (Page 6, IV. A. 1.)

We recommend that the needs assessment referred to in this recommendation be prepared by the Finance Department – Assessments Division, based on their familiarity with the volume of applications received and the time required to complete the necessary tasks.

Feedback on Contractual Staff (Page 7, IV. A. 13.)

We recommend that the Board of Review members **and** the Assessments Division provide feedback to the City Council president regarding the effectiveness and efficiency of the contractual support staff rather than the Board members providing the information to the Assessments Division and the City Council president. The staff of the Assessments Division will be in a position to observe staff performance at times when the Board of Review is not in session.

Budget Appropriation

We recommend that the appropriations necessary to provide contractual staff and equipment to the Board of Review be included in City Council's budget.

TO: The Honorable Detroit City Council

FROM: David Whitaker, Director
Research and Analysis Division Staff

DATE: January 4, 2008

**RE: PROPOSED "DETROIT BOARD OF REVIEW POLICIES,
OPERATING PROCEDURES AND RULES OF CONDUCT"**

Pursuant to the Honorable Detroit City Council's request, the Research and Analysis Division (RAD) provides the attached draft of proposed "Detroit Board of Review Policies, Operating Procedures and Rules of Conduct" to guide the proceedings of the Board of Review. The document was prepared based upon combined input from staff of the Law Department, the Auditor General's office, the Assessor's Division, RAD, and members of the Board.

In addition to the policies and procedures, it is RAD's understanding that a proposed amendment to the City Code is being prepared by the Law Department. RAD also recommends that language be added to the Property Tax Hardship Application (and included in the signed affidavit) indicating that applicants providing false information (either on an application or as subsequently provided supplemental information) will be subject to criminal prosecution. Currently, the application merely states: "Warning: A person who knowingly makes a false statement or material misrepresentation will be denied." Additional modifications are advisable to make the application process more easily understood as well as to clarify the qualifications for poverty exemption. Any such language changes for the 2008 application must be made by January 14 to allow sufficient time for printing.

Board members expressed the need for two additional compensated days to accomplish administrative tasks including any revision to poverty guidelines

for the coming year as well as an internal evaluation of Board procedures.¹ Members note the difficulty in meeting with advisers to discuss possible corrective strategies during the Board's normal session given the extensive caseload and statutory time limits to complete the Board's work.

Additional staff to assist the Board in preparation of poverty exemption applications is a critical issue. The Board receives applications numbering in the thousands with only limited intake support. Initial intake and cursory review for completeness is done by the Assessor's Office. Currently, the Assessment Division has staff that receives the tax appeals and poverty exemption applications for data entry. However, due to lack of staff, follow-up requests for missing information is left to be accomplished by board members when they begin meeting. By that point, taxpayers often do not have enough time to submit supplemental information necessary to complete their applications. A more in depth intake review, checklist for completeness, and follow-up is envisioned for temporary support staff, not necessarily altering the current general functions of the Assessment Division staff. A sampling of other cities in Michigan -- specifically Flint, Grand Rapids, and Saginaw -- indicates that the assessor's office does **all** preparation of poverty exemption files, including obtaining supplemental information where necessary. Their poverty exemption applications for December review number 20, 20-25, and 12, respectively, for the three cities.

Appointments of board members and their swearing in needs to be accomplished as soon as possible to have a full Board prior to convening for its first meetings in February 2008. Finally, the Board expressed a desire to provide a referral sheet (with Council's approval) to those applicants denied tax relief, which would include alternative resources for relief where such might be available.

Attachment

¹ Board Members expressed a desire to meet prior to beginning their 2008 work.

DETROIT BOARD OF REVIEW
POLICIES, OPERATING PROCEDURES AND RULES OF CONDUCT
Effective _____

I. Qualifications of Board Members and Appointment to Serve

1. Board of Review member ("Board") qualifications shall be as stated in the Detroit City Code.
2. Nominees for consideration shall present a resume documenting the requisite education and experience.
3. City Council will hold hearings for nominees prior to appointment of the Board.

II. Operations of the Board of Review

A. Operating Guidelines – General

1. All documents related to the operation of the Board of Review, including all taxpayer documents provided, are the property of the City of Detroit and shall be maintained by the City Assessor's Office. Under no circumstances shall any such documents be removed from the premises without the permission of the Chief Assessor.
2. Board of Review decisions are subject to the Open Meetings Act, MCL 15.261 *et seq.*, which requires that, with limited exceptions, meetings of public bodies must be open to the public.¹ The Board's secretary shall prepare and post the notices of all meetings in accordance with the Open Meetings Act.
3. A quorum of the Board of Review shall be five (5) members of the full board, or in the event of vacancies, a majority of sitting members.
4. The Board of Review shall establish a schedule of its committee meetings in order to complete the review of all applications pursuant to statutory deadlines. The schedule of meetings dates shall not exceed the maximum number of days allowed for compensation by City Council.
5. The Board of Review shall establish internal procedures consistent with these policies and applicable law relative to preparation of files by support staff, recording method, quality control, and reports and forms necessary to carry out the Board's responsibilities.

B. Operating Guidelines – Specific to Poverty Exemptions Procedures

1. The Board of Review shall consider applications for poverty exemptions from taxation pursuant to the State of Michigan's General Property Tax Act, MCL 211.7u, and

¹ However, committee meetings at which personal financial and familial information of applicants for poverty exemption under review may be held in closed sessions, in accordance with MCL 15.268(h).

shall follow the guidelines adopted by City Council. *See attached* proposed 2008 "Process for Reviewing Poverty Exemptions Applications".

2. The Board may meet in committees of three (3) for purposes of reviewing applications for poverty exemptions.
3. When meeting in committees of three (3), a minimum of two (2) committee members must concur to make a recommendation to the full Board to grant or deny a request for exemption.
4. Applications for full or partial exemption must be accompanied by all required documentation (as specified on the application form), including copies of proper identification, proof of ownership of the property, federal, state and city tax returns, or where required, an affidavit attesting that the applicant was not required to file. Incomplete applications are not eligible for consideration.
5. The Board of Review shall verify information provided on an application for poverty exemption in a manner established by the Board of Review and approved by City Council.
6. Any deviation by the Board from the established policy and guidelines must be supported by substantial and compelling reasons and must be communicated to the applicant in writing and fully documented by the Board on the processed application.
7. A revised "Process for Reviewing Poverty Exemption Applications,"² shall be completed annually by the Board of Review and submitted to City Council for approval in December of each year to allow the Assessor's Office sufficient time to print and distribute the criteria to the public upon request at the beginning of the tax year.

C. Reporting Requirements

1. The secretary³ to the Board of Review shall, with the cooperation of the Board of Review and in addition to the requirements under the Detroit City Code, Chapter 18 *Finance and Taxation*, Article IX *Taxation Generally*, prepare annual reports (in addition to, and separate from, the poverty exemption applications) compiling the following information:
 - a. Number of appeals to the Board for tax relief;
 - b. Number of appeals granted tax relief;
 - c. Dollar amount of tax relief granted;
 - d. Number of appeals to the Michigan Tax Tribunal from the City of Detroit;

² The document entitled "Process for Reviewing Poverty Exemption Applications" contains the City's poverty exemption income guidelines and is revised annually by the Board of Review.

³ The Finance Department-Assessments Division shall provide the secretary to the Board of Review. Detroit City Code section 18-9-5(d).

- e. Dollar amount of tax relief granted by the Michigan Tax Tribunal resulting from reversal of the Board of Review's decisions, and the reasons for the reversal.
2. The secretary to the Board of Review shall, with the cooperation of the Board of Review and in addition to the requirements under the Detroit City Code, Chapter 18 *Finance and Taxation*, Article IX *Taxation Generally*, prepare annual reports regarding the disposition of **poverty exemption applications** compiling the following information:
- a. Number of applications submitted;
 - b. Number denied tax relief;
 - c. Number granted full tax exemption and the dollar amount, as well as the number granted partial tax exemption and the dollar amount;
 - d. Number of grants that deviated from the poverty guidelines and the reasons for deviation cited by the Board of Review.
3. The Board of Review and Assessor's Office shall cooperate with the Office of the Auditor General in any and all audits of their actions.

III. Board Responsibilities

A. Compliance with Rules of Ethical Conduct

Board Members shall:

- 1. Follow all state laws, city ordinances, and other applicable rules regarding ethical conduct including the City's ethics ordinance (Detroit City Code Chapter 2, Article VI), which will be reviewed and provided to each board member at an annual orientation.
- 2. Uphold the integrity and independence of the Board by being faithful to applicable laws.
- 3. Maintain professional competence at all times.
- 4. Avoid impropriety and the appearance of impropriety in matters pertaining to the Board.
- 5. Perform the duties of the Board impartially and diligently.
- 6. Regulate all activities to minimize the risk of conflict of interest with Board responsibilities.
- 7. Treat every person fairly, and with courtesy and respect
- 8. Maintain confidentiality of applicants' information at all times as required by law.

9. Disclose any conflicts of interest concerning applicants for tax relief or their applications.
10. Abstain from participation in any proceeding in which a conflict of interest exists or may be perceived to exist.
11. Not engage in any action or activity that will compromise the integrity of the Board or a fellow Board member.
12. Not engage in communications with City Council members or their agents with regard to any application for relief before the Board.
13. Not solicit or accept money or other things of value, including but not limited to gifts for services or promises of future employment, in return for advice or assistance on matters before the Board of Review.
14. Not act as Notary Public on any poverty exemption applications.
15. Not assist in the completion of an application for poverty exemption.
16. Not accept applications for tax relief for purpose of delivery to the Assessor's Office. All applications must be filed by the taxpayer directly with the Assessor's Office for intake and data entry and not delivered to individual board members.
17. Sign and date the following acceptance of, and compliance with, these Rules:

I have read, understand, and am in accord with the purpose and stated principles of the Board of Review Operating Procedures and Rules of Conduct and will continue to abide by them during my tenure of service with this Body.
18. Submit the above-signed statement to the Office of the City Council President.
19. Cooperate and provide such information as requested by the City Council as necessary for the President to carry out the duties of his/her office.

B. Attendance

Board Members shall:

1. Sign in immediately upon arrival and sign out when leaving for the day on a timesheet to be submitted to the City Council President for approval.
2. Sign only his/her own individual timesheet, on the applicable day worked (not in advance nor subsequently), and turn in the timesheet on a daily basis. Board Members shall not sign timesheets on behalf of other Members. The member's signature will be followed by language that the signature certifies his or her time is complete and accurate.

3. Be compensated based upon a per diem rate with a "day" to be defined as requiring a minimum of four (4) hours of attendance, except that for those meeting days specifically mandated under State law, in which case the State law shall supersede these rules.
4. Be compensated at the per diem rate for attendance at a required annual orientation.
5. Be permitted to request up to two (2) additional paid days during the year for completion of administrative tasks including revision of forms, adoption of proposed standards for approval by City Council, and evaluation of processes.

C. Board of Review Member Conduct and Orientation

Board Members shall:

1. Maintain professional office decorum and demeanor, and shall respond in a timely manner to taxpayer inquiries.
2. Annually attend a paid mandatory orientation workshop to be coordinated by the Assessor's Office and the Council President, with the participation of the Law Department and the Board of Ethics, which will include coverage of the following subjects:
 - a. Professional decorum;
 - b. Attendance and record-keeping requirements;
 - c. City's policy prohibiting sexual harassment;
 - d. Conflicts of interest;
 - e. Federal and city guidelines for poverty exemptions, including the appropriate exercise of discretion in deviating from those guidelines;
 - f. Reporting of all decisions clearly and consistently, particularly decisions resulting from deviations from income guidelines;
 - g. State tax requirements and procedures (such as deadlines and meeting requirements) for review of all tax appeal applications;
 - h. Scheduling dates, times and location of sessions, closed and open; and
 - i. Compliance with the Open Meetings Act.
3. Attend additional meetings and training as determined by the Office of the Council President regarding any new procedures, rules or applicable laws.
4. Maintain the minimum qualifications for continued appointment to the Board.
5. Board members must provide full disclosure to the Council President of any conflicts of interest before assuming appointment to the Board, and once appointed, must notify the President within twenty-four (24) hours of a conflict arising.

IV. Administration and Support

A. Contractual Support Staff

1. Subject to approval of the City Council and based upon a needs assessment of the expected caseload for the respective filing deadlines, support staff ("staff") in addition to that supplied by the Finance Department-Assessment Division shall be provided on a temporary contractual basis. Support staff will be compensated from City Council's budget through a City Council approved personal service contract with no additional benefits beyond the hourly rate of pay.⁴
2. Staff should have experience in processing applications of a financial or governmental nature, *e.g.*, loan or mortgage applications, government benefit applications and financial aid applications.
3. Staff will prescreen the poverty exemption applications for completeness. The staff may contact applicants by mail prior to the Board convening if more information is required to complete the application.
4. Staff may request necessary information by follow-up letters to the taxpayer if there is missing documentation or an application is otherwise incomplete for the Board's review.
5. To assist the Board's review of applications, staff shall complete an intake checklist for attachment to the applications that shows the status of appropriate documentation and includes totals for income, assets and expenses to show if the applicant's income falls within the poverty guidelines.
6. Staff shall document on the checklist any additional information that comes in to the Assessor's office that is to be included in the application.
7. Staff may assist the Board of Review in recordkeeping functions as directed by the Board of Review.
8. Staff may prepare minutes that include application numbers and vote tallies for all meetings of the poverty exemption committees. Committee members will approve the minutes by their signatures.
9. Staff will be budgeted for, and hired through, the City Council with time keeping coordinated by the Finance Department-Assessments Division. Time sheets shall be submitted to the Council President for approval.
10. Staff will be required to attend a one-day paid orientation and/or training regarding the specifics of their duties. The orientation/training can be at the same time and of the same nature as the Board's orientation, and include ethics and confidentiality

⁴ The question of responsibility for day-to-day supervision of contractual staff is an issue yet to be resolved.

issues. Staff are subject to all of the rules of ethical conduct applicable to the Board, and as enumerated in section III.A., *infra*, of these rules.

11. Staff persons serve at will and are subject to discharge by the City Council without cause.

12. The Board of Review members shall give feedback on the effectiveness and efficiency of the contractual support staff to the City Council president and the Finance Department-Assessments Division on an annual basis.

B. Administrative Duties of the Council President Regarding the Board of Review.

The Council President, or his/her designee, shall:

1. Establish oversight procedures with respect to the Board of Review and monitor the Board for compliance with these rules and procedures.

2. Approve the office hours/hours of operations of the Board of Review.

3. Approve Board Members' timesheets and provide a written statement regarding any exceptions.

4. Approve the contractual support staff's timesheets and provide a written statement regarding any exceptions.

5. Coordinate the operation of the Board of Review with the Board of Assessors.

6. Coordinate an annual, mandatory orientation workshop for Board of Review members.

7. Coordinate an annual mandatory orientation and/or training for the contractual support staff.

8. Maintain a file of resumes, conflict of interest disclosure statements, and other documents regarding the Board and contractual support staff, based on Detroit City Code Section 18-9-5, as amended.

9. When advised of concerns or irregularities, notify the nominating City Council Member if a Board Member is not performing according to the established procedures and rules.

10. When advised of concerns or irregularities, notify the appropriate City agency, *e.g.*, Police, Law, etc., if any impropriety is discovered.

11. Receive complaints and reports by any interested citizen or taxpayer regarding alleged inappropriate actions taken by the Board, a Board Member or contractual support staff.
12. The President's office will handle or forward such evidence to the appropriate agency and inform the City Council of such complaints or reports.
13. Establish and monitor the procedures used to determine the independent verification of an applicant's statements of eligibility for poverty exemptions and other tax relief including, but not limited to, requests for the Auditor General to conduct an audit of the Board's work.

C. Office Accommodations and Equipment

Provision of appropriate office space, necessary staff, and equipment necessary to conduct the business of the Board of Review is the responsibility of the Finance Department-Assessment Division, pursuant to the Detroit City Code section 18-9-5(d) and (e). Necessary equipment shall minimally include, but not be limited to, calculators, and other essential office supplies for each Board member, and at least three (3) telephones for use by the three (3) committees during review of poverty exemption applications.

D. Legal Advice

1. Board of Review members are employees of the City, to be represented by corporation counsel in any legal action or proceeding involving their official duties, pursuant to the Detroit City Charter Sec. 6-403. The Chairman of the Board of Review can request legal advice or a legal opinion from the corporation counsel, as provided by the Detroit City Charter section 6-405. This may include but not be limited to the legal definitions and interpretation of state and federal laws concerning issues that arise in reviewing the poverty exemption hardship applications.⁵
2. Persons who are not attorneys licensed to practice law in the State of Michigan are prohibited from giving legal advice to the Board of Review or to tax appeal and poverty exemption applicants.

These Policies, Operating Procedures and Rules of Conduct may be amended with the approval of the City Council by resolution.

⁵ For example, what are the legal parameters for determining what constitutes a compelling reason for deviation from the poverty exemption hardship guidelines?